

LLYC

Major acquisition in the US

- Details.** LLYC has acquired a 70% stake in Lambert for \$18.2m (€16.8m) plus future earnouts based on operating performance. Lambert is a US-based strategic communications firm specialised in financial and corporate niches and is among the top 10 IR firms and top 50 Public Relations (PR) firms in the US. In 2023 Lambert generated revenues of \$18.6m and \$5.4m EBITDA (€17.2m and €5.0m, respectively).
- A positive move.** We think the deal (the largest ever made by LLYC) makes strategic sense for several reasons: 1) it strengthens its US presence, which is the world's largest PR market, key for LLYC and now accounts for c.30% of total EBITDA (vs. 10% previously), and will become the largest in LLYC along with Spain; 2) it fits well within LLYC, as on the one hand it complements geographically with the BAM acquisition (the latter being in the West Coast and Lamber in the Mid-West), and on the other it will bring in significant cross-selling opportunities, with Lambert broadening its product offering thanks to LLYC's advanced CommsTech skills and marketing tools; and 3) the price paid is reasonably good, as we estimate a multiple (including future earnouts and assuming that Lambert is mainly debt free) of <7X EV/EBITDA (below our c.8X24 EV/EBITDA base valuation).
- The financial impact.** The deal is not small for LLYC, as Lambert represents c.20% of LLYC's attributable EBITDA and EV. The main impacts are as follows: a) a 25% and 18% EBITDA and EPS enhancement; and b) a net debt increase (including future earnouts and excluding lease liabilities) from €2-3m in FY24E to >€35m as well as leverage from 0X to 1.7X, which we find manageable. In fact, we think it is positive for LLYC to put its B/S to work in value added transactions.
- Our view.** We believe the deal is very good news for LLYC for the reasons mentioned above, and its track record of integrating companies is hard to ignore (5 companies in the L3Y). The mix of a solid & stable traditional business and a fast-growing digital marketing business is driving sound organic growth (mid-to-high single digits), which together with strong M&A execution should lead LLYC to post >20% EBITDA CAGR in the L5Y. At <6X24 EV/EBITDA, we think the shares are not reflecting any of this, and thus represents a LT buying opportunity.

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Share Price (*) € 9.50

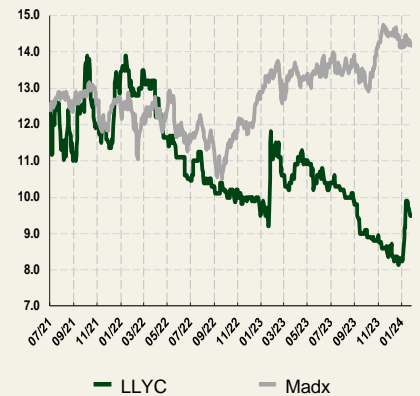
*Share price at the close of 19 February 2024

LLYC.MC / LLYC SM

Market Cap	€ 111 m
Enterprise Value	€ 120 m
Free Float	€ 14 m
Nº Shares	12 m
Average Daily Volume	€ 0 k

Performance

	1m	3m	12m
Absolute %	14.5	8.0	-12.9
Relative %	14.1	6.2	-22.8



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Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	8.4	12.6	16.0	18.7	20.3	21.6
Net profit (€m)	2.2	5.2	7.0	9.6	10.6	11.6
EPS (€)	-	0.4	0.6	0.8	0.9	1.0
Adj. EPS (*) (€)	-	0.6	0.7	0.8	0.9	1.0
P/E (x)	n.a.	27.0	19.0	11.6	10.4	9.5
P/E Adj. (x)	n.a.	21.5	17.0	11.2	10.1	9.3
EV/EBITDA (x)	-	11.8	8.6	6.4	5.6	5.0
Debt/EBITDA (x)	(1.3)	0.3	(0.0)	0.3	(0.0)	(0.4)
P/BV (x)	-	4.8	3.8	2.5	2.1	1.8
ROE (%)	10.7	18.4	20.5	22.6	21.0	19.4
DPS (€)	-	0.1	0.1	0.2	0.2	0.2
Dividend yield (%)	n.a.	1.1	1.2	2.2	2.4	2.6

(*) Historical multiples based on average share price of the year

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KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	44.7	64.1	89.5	109.3	126.6	142.7	Net profit	2.2	5.2	7.0	9.6	10.6	11.6
COGS	(6.6)	(10.8)	(16.8)	(24.1)	(32.2)	(41.0)	Depreciation	2.3	2.7	3.5	3.8	4.0	4.2
Gross Profit	38.1	53.3	72.7	85.1	94.3	101.6	Minorities	0.7	0.2	0.4	0.5	0.6	0.6
Personnel Expenses	(24.3)	(31.6)	(45.9)	(55.2)	(61.3)	(66.4)	Non-cash adjustments	(1.9)	(2.7)	(2.0)	(2.1)	(2.2)	(2.3)
Other Opex	(5.4)	(9.1)	(10.8)	(11.3)	(12.7)	(13.6)	Total cash-flow (CF)	3.3	5.4	8.9	11.7	13.0	14.1
Adj. EBITDA	8.4	12.6	16.0	18.7	20.3	21.6	Capex	(2.0)	(1.9)	(2.4)	(2.7)	(3.0)	(3.3)
Non-recurring items	(0.3)	(1.5)	(0.8)	0.0	0.0	0.0	Working capital	2.1	(1.2)	(1.7)	(1.8)	(1.6)	(1.4)
EBITDA	8.1	11.1	15.2	18.7	20.3	21.6	Financial investments	(0.1)	0.8	(0.3)	-	-	-
D&A	(2.3)	(2.7)	(3.5)	(3.8)	(4.0)	(4.2)	Operating FCF	3.4	3.2	4.6	7.2	8.4	9.4
EBIT	5.8	8.4	11.7	14.9	16.4	17.4	Rights issues	-	9.9	-	-	-	-
Net financials	(0.7)	(0.6)	(1.4)	(1.0)	(1.0)	(0.9)	Disposals/(acquisitions)	(2.2)	(24.3)	-	(11.1)	-	-
Profit-Before-Tax	5.1	7.8	10.3	13.8	15.3	16.6	Dividend to minorities	-	-	-	-	-	-
Tax	(2.2)	(2.4)	(2.9)	(3.8)	(4.1)	(4.3)	FCF before dividends	1.2	(11.3)	4.6	(3.9)	8.4	9.4
Minorities	(0.7)	(0.2)	(0.4)	(0.5)	(0.6)	(0.6)	Dividends	-	-	(1.5)	(1.5)	(2.3)	(2.6)
Reported Net profit	2.2	5.2	7.0	9.6	10.6	11.6	Free-cash-flow (FCF)	1.2	(11.3)	3.1	(5.4)	6.0	6.8
Adjustments	0.2	1.1	0.6	0.0	0.0	0.0	Buy-backs	-	-	-	-	-	-
Adj. Net profit	2.5	6.3	7.6	9.6	10.6	11.6	FCF after buy backs	1.2	(11.3)	3.1	(5.4)	6.0	6.8
Nº of shares (m)	0.4	11.6	11.6	11.6	11.6	11.6							
Nº of shares adjusted (m)	0.0	11.3	11.3	11.3	11.3	11.3							
Treasury stock (m)	0.0	0.3	0.3	0.3	0.3	0.3							
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E	Balance sheet (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	(7%)	43%	40%	22%	16%	13%	Equity	21	28	34	42	51	60
Gross Profit	(7%)	40%	36%	17%	11%	8%	Minority interests	3	1	1	2	2	3
Adj. EBITDA	(17%)	49%	27%	17%	9%	6%	Provisions & others	0	0	0	0	0	0
EBITDA	(19%)	37%	37%	23%	9%	6%	Net debt [cash]	(2)	11	7	13	7	(0)
EBIT	(25%)	45%	39%	27%	10%	6%	<i>Net debt [cash] pre IFRS16</i>	(8)	3	(0)	5	(1)	(7)
Net profit	(55%)	132%	35%	36%	11%	9%	Capital invested	23	41	43	57	60	62
EPS	n.a.	n.a.	35%	36%	11%	9%	Goodwill	3	19	18	18	18	18
							Intangible assets	4	4	5	6	7	8
							Tangible assets	9	11	10	21	22	22
							Financial assets	(5)	(15)	(8)	(9)	(9)	(9)
							Working capital	5	5	7	9	11	12
							Capital employed	16	24	32	46	49	52
							Working capital/sales	10.7%	7.8%	8.0%	8.3%	8.4%	8.5%
							Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
							Net debt/EBITDA	(0.2X)	1.0X	0.5X	0.7X	0.3X	(0.0X)
							Net debt/EBITDA adjusted	(1.0X)	0.2X	(0.0X)	0.3X	(0.0X)	(0.3X)
							Gearing	(7.9%)	38.0%	20.9%	29.1%	12.8%	(0.1%)
							Interest cover	8.6X	14.0X	8.4X	14.2X	15.6X	20.1X
							Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
							EBITDA margin	18.2%	17.3%	17.0%	17.1%	16.1%	15.1%
							EBIT margin	13.0%	13.1%	13.1%	13.6%	12.9%	12.2%
							Effective tax rate	42.6%	30.8%	28.2%	27.4%	26.6%	26.2%
							Pay-out	n.a.	28.7%	21.3%	24.3%	24.3%	24.3%
							ROCE (EBIT/CE)	37.4%	35.6%	36.4%	32.3%	33.4%	33.6%
							ROE	10.7%	18.4%	20.5%	22.6%	21.0%	19.4%

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